

*Fennville Area Fire Board*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2008*

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## INDEPENDENT AUDITORS' REPORT

### Members of the Board Fennville Area Fire Board

We have audited the accompanying financial statements of the governmental activities and the major fund of the Fennville Area Fire Board as of and for the year ended June 30, 2008, which collectively comprise the Fire Board's basic financial statements as listed in the contents. These financial statements are the responsibility of the Fire Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Fennville Area Fire Board as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Fennville Area Fire Board has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Siegfried Crandall P.C.*

December 1, 2008

## **BASIC FINANCIAL STATEMENTS**

**Fennville Area Fire Board**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2008

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>ASSETS</b>			
Cash	\$ 40,681	\$ -	\$ 40,681
Accounts receivable	1,033	-	1,033
Prepaid expenses	5,940	-	5,940
Capital assets, net	<u>-</u>	<u>350,615</u>	<u>350,615</u>
Total assets	<u>\$ 47,654</u>	<u>350,615</u>	<u>398,269</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,105	-	2,105
Note payable:			
Due within one year	-	19,245	19,245
Due after one year	<u>-</u>	<u>75,315</u>	<u>75,315</u>
Total liabilities	2,105	<u>94,560</u>	<u>96,665</u>
<b>FUND BALANCE</b>			
Unreserved, undesignated	<u>45,549</u>	<u>(45,549)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 47,654</u>		
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		256,055	256,055
Unrestricted		<u>45,549</u>	<u>45,549</u>
Total net assets		<u>\$ 301,604</u>	<u>\$ 301,604</u>

**Total fund balance**

\$ 45,549

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

350,615

Long-term liabilities, including contract and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(94,560)

**Total net assets**

\$ 301,604

See notes to financial statements

**Fennville Area Fire Board****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES***Year ended June 30, 2008*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Public safety	\$ 99,238	\$ 51,403	\$ 150,641
Capital outlay	12,243	(12,243)	-
Debt service:			
Principal	21,199	(21,199)	-
Interest	<u>4,163</u>	<u>-</u>	<u>4,163</u>
Total expenditures/expenses	136,843	17,961	154,804
<b>PROGRAM REVENUES</b>			
Intergovernmental	<u>148,615</u>	<u>1,306</u>	<u>149,921</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>	11,772	(16,655)	(4,883)
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<u>33,777</u>	<u>272,710</u>	<u>306,487</u>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<u>\$ 45,549</u>	<u>\$ 256,055</u>	<u>\$ 301,604</u>
<b>Net change in fund balance</b>			\$ 11,772
Amounts reported in the statement of activities are different because:			
Capital assets:			
Assets acquired			2,000
Provision for depreciation			(39,854)
Long-term debt - principal payments			<u>21,199</u>
<b>Change in net assets</b>			<u>\$ (4,883)</u>

*See notes to financial statements*

**Fennville Area Fire Board**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Fennville Area Fire Board (the Fire Board) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Fire Board. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Fire Board has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Fire Board's financial statements.

The Fire Board is a joint venture of the City of Fennville, Manlius Township, and Clyde Township, formed June 27, 1985, to provide fire protection within the participating municipalities. Costs of operations and capital expenditures are supported by contributions from the participating municipalities.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

*c) Assets and liabilities:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*ii) Capital assets* - Capital assets, which include land, buildings, equipment, and vehicles, are defined by the Fire Board as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Fennville Area Fire Board**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Assets and liabilities* (continued):

ii) *Capital assets* (continued) - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Equipment	10 - 20 years
Vehicles	5 - 15 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

*Budgetary information*

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Operating Fund. The budget document presents information by function and line-item. The legal level of budgetary control adopted by the governing body is the functional level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations*

The following schedule sets forth a significant budget variance:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Debt service - principal	\$ 19,245	\$ 21,199	\$ (1,954)
	Debt service - interest	2,655	4,163	(1,508)

NOTE 3 - CASH:

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Fire Board's investment policy authorize the Fire Board to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Fire Board's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Fire Board will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2008, the Fire Board's bank balances of \$55,193 were fully insured, and were, therefore, not exposed to custodial risk.



**Fennville Area Fire Board**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity of the Fire Board for the year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 20,000	\$ -	\$ -	\$ 20,000
Equipment	239,154	-	-	239,154
Vehicles	413,445	2,000	-	415,445
Subtotal	672,599	2,000	-	674,599
Less accumulated depreciation for:				
Buildings	(5,083)	(500)	-	(5,583)
Equipment	(99,927)	(18,723)	-	(118,650)
Vehicles	(179,120)	(20,631)	-	(199,751)
Subtotal	(284,130)	(39,854)	-	(323,984)
Governmental activities capital assets, net	<u>\$ 388,469</u>	<u>\$ (37,854)</u>	<u>\$ -</u>	<u>\$ 350,615</u>

**NOTE 5 - LONG-TERM LIABILITIES:**

Long-term liabilities at June 30, 2008, are comprised of the following individual issue:

Note payable:

\$192,450 2003 Installment purchase (PA 205, 99) secured by  
GMC pumper tanker, due in annual installments of \$19,425  
through August 2012, plus interest at 3.39%

\$ 94,560

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Note payable	<u>\$ 115,759</u>	<u>\$ -</u>	<u>\$ 21,199</u>	<u>\$ 94,560</u>	<u>\$ 19,245</u>

**Fennville Area Fire Board**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 5 - LONG-TERM LIABILITIES (Continued):

Debt service requirements at June 30, 2008, were as follows:

<u>Year ended June 30:</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 19,245	\$ 3,270
2010	19,245	2,654
2011	19,245	1,876
2012	19,245	1,098
2013	<u>17,580</u>	<u>355</u>
	<u>\$ 94,560</u>	<u>\$ 9,253</u>

NOTE 6 - RISK MANAGEMENT:

The Fire Board is exposed to various risks of loss to general liability, property and casualty, and workers' compensation, with such risks being managed through the purchase of commercial insurance.

## REQUIRED SUPPLEMENTARY INFORMATION

**Fennville Area Fire Board**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended June 30, 2008

	<u>Original and amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>			
Intergovernmental:			
City of Fennville	\$ 49,538	\$ 49,538	\$ -
Township of Manlius	49,538	49,538	-
Township of Clyde	49,539	49,539	-
	<u>148,615</u>	<u>148,615</u>	<u>-</u>
Total revenues			
	<u>148,615</u>	<u>148,615</u>	<u>-</u>
<b>EXPENDITURES</b>			
Public safety:			
Personnel costs	39,700	41,477	(1,777)
Office supplies	2,450	3,276	(826)
Operating costs - incidents	5,822	3,846	1,976
Training and preparation	5,300	2,355	2,945
Contracted services	7,150	6,713	437
Insurance	24,150	18,479	5,671
Utilities	10,543	7,365	3,178
Repairs and maintenance	16,400	15,410	990
Miscellaneous	-	317	(317)
	<u>111,515</u>	<u>99,238</u>	<u>12,277</u>
Total public safety			
	<u>111,515</u>	<u>99,238</u>	<u>12,277</u>
Capital outlay	<u>18,200</u>	<u>12,243</u>	<u>5,957</u>
Debt service:			
Principal	<u>19,245</u>	<u>21,199</u>	<u>(1,954)</u>
Interest	<u>2,655</u>	<u>4,163</u>	<u>(1,508)</u>
	<u>151,615</u>	<u>136,843</u>	<u>14,772</u>
Total expenditures			
	<u>151,615</u>	<u>136,843</u>	<u>14,772</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,000)	11,772	14,772
<b>FUND BALANCES - BEGINNING</b>	<u>33,777</u>	<u>33,777</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 30,777</u>	<u>\$ 45,549</u>	<u>\$ 14,772</u>

December 1, 2008

To the Board of Trustees  
Fennville Area Fire Board

We have audited the financial statements of the governmental activities and the major fund of the Fennville Area Fire Board for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. Professional standards require that we provide you with the following information related to our audit.

***Our Responsibility under U.S. Generally Accepted Auditing Standards***

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Fennville Area Fire Board are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by Fennville Area Fire Board during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Board's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

*Other Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fennville Area Fire Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Communication Regarding Internal Control*

In planning and performing our audit of the financial statements of the Fennville Area Fire Board as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Fennville Area Fire Board's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

The Board has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Board has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Fennville Area Fire Board and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*